

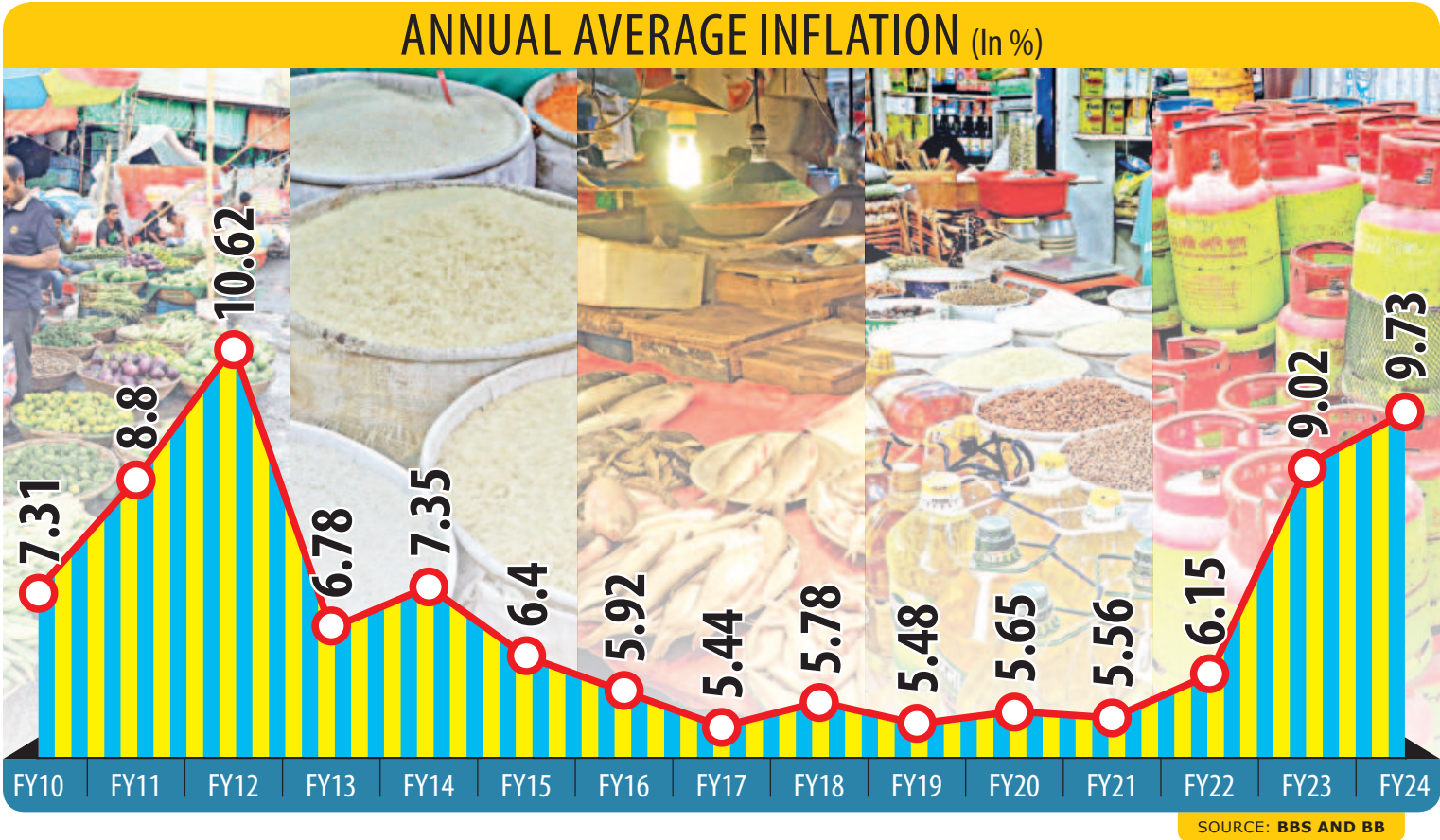
Star BUSINESS

Bangladesh's \$8 billion food processing industry has annually grown by 8 percent on an average between 2005 and 2023, according to the USDA.

Story on B4



Annual inflation hits 12-year high despite easing in June



SOHEL PARVEZ

The annual average price spike in Bangladesh surged to its highest level in 12 years in the just-concluded fiscal year despite easing in June, reflecting the persistent erosion of real income and the deterioration of the living standards of low-income groups.

Annual inflation rose to 9.73 percent in 2023-24, the highest since 2011-12 when it was 10.62 percent, overshooting the government's target of containing it to 7.5 percent, according to the Bangladesh Bureau of Statistics (BBS).

This is the second year the Consumer Prices Index, a measure of the increase in the prices of a basket of products and services, stood at more than 9 percent – a sign of sterility of the measures by the government and the central bank to contain prices.

"Inflation has been very high in the last two years, and policies were not taken at the right time and were unsuccessful," said Selim Raihan, executive director at the South Asian Network on Economic Modeling.

He blamed multiple failures. "There has been policy failure and there has been coordination and management failure."

Raihan, also a professor of economics at the University of Dhaka, said there is a huge imperfection in the market system.

"A section of businesses can see that the government is failing to regulate the market. Many of the businesses are also connected politically. There are also anomalies in the data related to supply, demand and production. Such information is not credible."

Inflation has persisted over 9 percent since March 2023. And except for monthly fluctuations, the rate has crossed 9.5 percent since January.

In June, inflation declined to 9.72 percent from 9.89 percent in May thanks to the decline in food and non-food prices. Inflation was 9.74 percent in April, BBS data showed.

Food inflation slipped to 10.42 percent last month from 10.76 percent a month ago. The non-food price growth slowed to 9.15 percent from 9.19 percent.

The second review of the \$4.7 billion loan programme for Bangladesh in June, the International Monetary Fund (IMF) said higher inflation levels were mainly due to persistently strong high inflation expectations and the anticipated depreciation of the exchange rate.

The taka has lost its value by about 35 percent against the US dollar in the past two years, making imports costlier.

The Bangladesh Bank hiked the policy rate, the interest rate at which it lends to conventional banks, by 50 basis points (bps) to 8.5 percent on May 8 to tighten the money supply. In total, it has raised the rate by 400bps in the past two years.

It also made the lending rate in the banking sector completely market-based after four years and adopted a flexible exchange rate mechanism by allowing the dollar to trade within a band.

"However, the measures were not taken at the right. Therefore, they did not bring about the desired results," Prof Raihan said.

The IMF has suggested that the policy rate increase to a peak of 9 percent by the middle of the current fiscal year in order to tame inflation to 7 percent by the end of 2024-25 on the back of the continued tighter policy mix and projected lower global food and commodity prices.

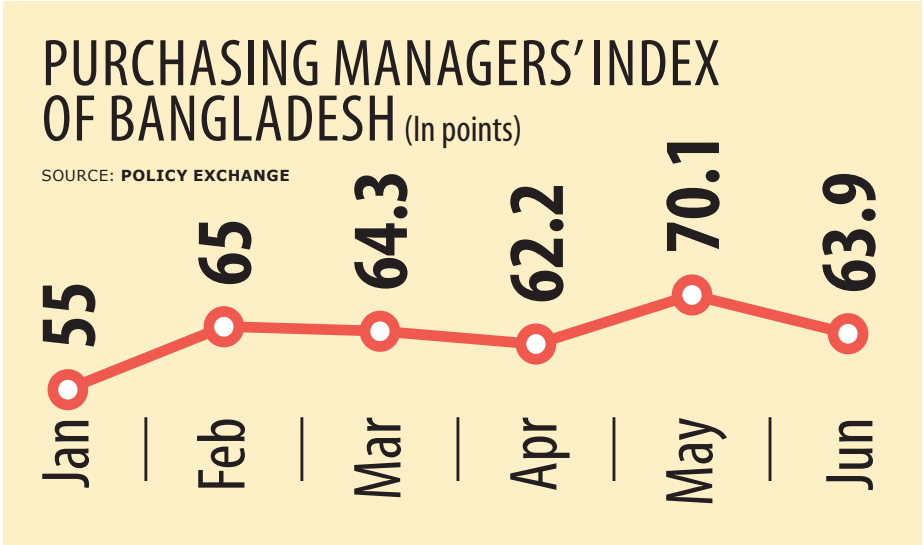
"Should external and inflationary pressures intensify, a further tightening in policies is warranted," it added.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh,

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PMI shows slower expansion rate in June



STAR BUSINESS REPORT

Bangladesh's Purchasing Managers' Index (PMI) pointed to a slower expansion rate in business activities in the key sectors of agriculture, manufacturing, construction and services in June compared to the month prior.

The PMI, which is seen as a good measure of overall economic growth, hit 63.9 last month, down 6.2 points from March's 70.1.

The PMI is a number from 0 to 100, with a reading above 50 indicating expansion and a reading below 50 representing contraction.

Policy Exchange Bangladesh disclosed

the data yesterday through a press release.

The agriculture sector recorded a sixth month of expansion after last contracting in December, but the rate of expansion slowed, with the agriculture PMI dropping from 79.3 in May to 70.2 in June.

The sector exhibited a slower expansion rate for the indexes of new business, business activity, employment, input costs, but the order backlog index contributed to a faster expansion rate, Policy Exchange Bangladesh said.

Similarly, the manufacturing sector saw a slower expansion rate, sliding from 76.3 in May to 61.7 in June.

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Export data mismatch a result of double counting by EPB

Salman F Rahman says at a roundtable

STAR BUSINESS REPORT

One of the main reasons for the \$14 billion discrepancy in the export data was the Export Promotion Bureau's (EPB) double counting of exported garment items made in factories inside export processing zones (EPZs), Salman F Rahman, the prime minister's adviser on private industry and investment, said yesterday.

He also attributed the data mismatch to a lack of cooperation between the EPB, the central bank, and the National Board of Revenue (NBR).

The central bank recently corrected anomalies in export figures, revising down actual exports in the July-April period of fiscal 2023-24 by nearly \$14 billion compared to the data the EPB had published earlier.

As per data from the EPB, exports stood at \$47.47 billion in the first ten months of fiscal 2023-24. However, after the correction by the central bank, it has fallen by \$13.8 billion to \$33.67 billion.

The mistake that the EPB made was counting sales by companies in the EPZs twice – first during shipment from the EPZs to local firms and second during shipment from the ports by the exporters.

Rahman made the comments at a roundtable on digitalising international trade in Bangladesh, organised by the International Chamber of Commerce-Bangladesh (ICCB) at the Sheraton Dhaka. Alongside the prime minister's adviser, chamber leaders, government high-ups, trade-related experts, business leaders and exporters also participated.

Furthermore, in the case of garment orders under a manufacturing process known as cutting, making and trimming (CMT), the EPB calculated the prices of fabrics and all accessories, although it was supposed to consider only the fabric cutting cost, sewing cost and finishing cost.

The problem has been identified and it is expected that the EPB, BB and NBR will sit together to address it, Rahman said.

He added that Bangladesh has progressed a lot in the digital economy and the country is now thinking about introducing QR code-based payment systems.

He also said that international trade does not depend only on Bangladesh, highlighting the responsibility of counterparts. But major economies like China and the USA are becoming more protectionist and are maintaining very stringent controlling regulations for international trade.

ICCB vice-president AK Azad cited data from the World Trade Organization, saying that of the total merchandise trade worth \$25.3 trillion in 2022, average cross-border transactions required around 36 documents and 240 copies of papers.

As such, Azad called for the formation of a national committee to promote paperless transactions, thereby improving efficiency and reducing the cost of doing business.

ICCB Member Kutubuddin Ahmed said

the digitalisation of trade came with the risk of hacking. He said his office software was hacked and the hacker demanded a large sum as ransom. But Kutubuddin did not pay any money. Instead, he recovered the documents manually.

He added that although there may be some hiccups at the start, it is important to educate the people about digitalising trade.

Md Saiful Islam, former president of the Metropolitan Chamber of Commerce and Industry, said Bangladesh ranked 129th among 170 countries in global digital trade, indicating the poor state of the country's readiness for digital trade.

Competing countries such as Vietnam and Turkey were ranked 72nd and 66th respectively, he said.

He added that because of such a poor condition of digital trade, different bodies like BB, NBR and EPB are calculating different export figures.

Digitalising international shipping documents could generate an annual growth of \$30-\$40 billion in global trade, the ICCB said in a statement.

While moderating the roundtable, ICCB President Mahbubur Rahman said that digitalisation enhances efficiency, reduces

SPEAKERS SAY...

- Export data mismatch happened due to double counting by EPB
- There was a lack of cooperation among the EPB, BB and NBR
- Major economies such as the USA, China and India are going for more protectionism
- Bangladesh progressed a lot in digitalisation

costs, and broadens market access.

He said every year, ocean carriers issue about 45 million bills of lading, a crucial shipping document. Many international shipping documents are still not standardised and are mostly paper-based, requiring physical exchanges.

Using electronic bills of lading (eBLs) will speed up transactions and save costs by reducing administrative expenses for cargo handling and document processing while also reducing the risk of fraud through digital authentication, he said.

Edimon Ginting, country director of the Bangladesh Resident Mission at the Asian Development Bank, said effective digitalisation of trade would increase economic growth and create jobs by expanding access to global trade networks for developing economies.

Pamela Mar, managing director of the Digital Standards Initiative of the ICC, presented the keynote.

Govt draws up list of 494 products for GI status

SUKANTA HALDER

The government has prepared a list of 494 products to secure geographical indication (GI) recognition for them in order to safeguard the source of their origin, enhance their economic value at home and abroad, and fetch financial benefits for producers.

The Department of Patent, Designs and Trademark (DPDT), an agency under the industries ministry, wrote to all divisional commissioners, deputy commissioners and several organisations in the first week of June asking them to apply to register them as GI-certified products.

It said there are many products in various districts. If the registration is done, the commercial value of products will increase, and producers will benefit financially.

"Besides, the image of the country will be brightened in foreign trade," the letter said.

There is also a directive from the Prime Minister's Office to register at least one product as a GI in every district, the DPDT added.

Munim Hassan, director general of the DPDT, said, "With the help of a non-government organisation, we have collected field-level information about 494 products and made a list."

The NGO, the e-Commerce Development Center, is a non-profit trust and carries out research and surveys on local products and the e-commerce sector. It is also dedicated to increasing the number of GI-certified products, according to its website.

It has been decided that these products will be given GI recognition if applications are

GI STATUS GAINED

Department of Patents, Designs and Trademarks (DPDT) so far granted GI status to **31** products

From 2016 to 2022, DPDT recognised **17** GI products

Another **14** products received the tag in the last eight months

IN THE PIPELINE

If nobody objects, another **20** products will get GI recognition by September

DPDT targets to register **100** GI products by December this year

made and no objections are raised, Hassan said.

When the DC conference was held in March, the deputy commissioners were notified about the matter so that they take the issue seriously, he added.

The DPDT has so far granted GI status to 31 products. The official procedures to hand the status to three more products has been completed, and it is underway for another 15 products.

"If no one objects, about 20 more products will be recognised as GI by September," Hassan said.

In addition, the DPDT is examining the

possibility of awarding such a status to 25 more products. It has a target to register 100 products as GI by December this year.

Speaking to The Daily Star, Mahbubur Rahman, deputy commissioner of Thakurgaon, said Surjapuri mango is grown only in the district. "We will apply for the GI recognition for the mango."

He said a lot of information and documents are needed to apply, and the information and document collection is also almost finished.

"We will send the application to the DPDT this week."

GIs are defined by the World Intellectual

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